

CITY OF TINGLEY

**INDEPENDENT ACCOUNTANT'S REPORT
ON THE STATUS OF PERIODIC EXAMINATION
FINDINGS AND RECOMMENDATIONS**

**FOR THE PERIOD
DECEMBER 1, 2015 THROUGH MAY 31, 2016**

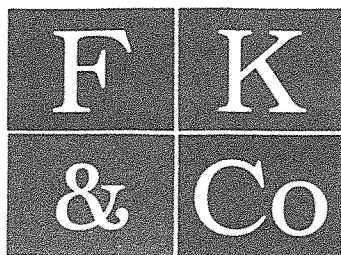
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City of Tingley

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2016)</u>		
Nancy Jarred	Mayor	Dec 2015
Sharon Case	Council Member	Dec 2015
Larry Jarred	Council Member	Dec 2017
Robert Johnson	Council Member	Dec 2015
Jacobs Knight	Council Member	Dec 2015
Sue Richards	Council Member	Dec 2017
Anthony Mercer	City Clerk	Indefinite
<u>(After January 2016)</u>		
Jeremy Phelps	Mayor	Dec 2017
Brad Smith	Council Member	Dec 2019
Vanessa Smith	Council Member	Dec 2019
Larry Jarred	Council Member	Dec 2017
Robert Johnson	Council Member	Dec 2019
Sue Richards	Council Member	Dec 2017
Anthony Mercer	City Clerk	Indefinite



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Accountant's Report on the Status of Periodic
Examination Findings and Recommendations

To the Honorable Mayor
and Members of City Council:

Faller, Kincheloe & Co, PLC issued a Periodic Examination Report dated September 15, 2014 on the City of Tingley, Iowa covering the period July 1, 2013 through June 30, 2014 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.

This report includes the findings and recommendations from the City's Periodic Examination Report dated September 15, 2014 and the current status of the City's implementation of the recommendations included in that report.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight.

Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Tingley and other parties to whom the City of Tingley may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Tingley during the course of our follow-up procedures. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Faller, Kincheloe & Co, PLC
Faller, Kincheloe & Co, PLC

October 17, 2016

CITY OF TINGLEY

Report on the Status of Periodic Examination Findings and Recommendations

Findings Reported in the Periodic Examination Report dated September 15, 2014:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Receipts – journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparation and distribution.
5. Financial reporting – preparing and reconciling.
6. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

Current Status – Not corrected. The recommendation is repeated.

(B) City Council Minutes – Minutes for the City Council meetings were not signed as required by Chapter 380.7 of the Code of Iowa. Although minutes of City Council proceedings were posted, in some cases the City did not post a complete list of claims allowed, a summary of receipts or total disbursements by fund as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapters 380.7 and 372.13(6) of the Code of Iowa. The City should ensure the minutes are signed and that the minutes posted include a complete list of all claims allowed, a summary of receipts and total disbursements by fund, as required.

Current Status – Corrected. The minutes tested were properly signed and included a list of claims allowed, summary of receipts, and total disbursements by fund.

(C) Investment Policy – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Current Status – Corrected. The City adopted a written investment policy at the November 2014 City Council meeting.

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Report on the Status of Periodic Examination Findings and Recommendations

- (D) Official Depositories – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.

Current Status – Corrected. The City passed a resolution naming official depositories at the September 2014 City Council meeting.

- (E) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for its bank accounts.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Current Status – Not corrected. The recommendation is repeated.

- (F) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the community and economic development and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

It appears the City has no procedures in place to compare actual disbursements to budget disbursements, by function and in total.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. In addition, the City should implement procedures to ensure actual disbursements are compared to budget disbursements by function and in total during the year.

Current Status – Not corrected. Actual expenses in the year ended June 30, 2015 exceeded the budget in the culture and recreation, community and economic development, and general government functions. The City does not have procedures in place to compare actual to budgeted disbursements.

- (G) Accounting Records - The City Council does not receive a monthly Clerk’s report which shows receipts, disbursements, transfers and balances for each fund and in total. There was no evidence the cash and investment balances in the City’s general ledger were reconciled to the bank and investment account balances throughout the year. For one of two months reviewed, bank and book balances did not properly reconcile.

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Report on the Status of Periodic Examination Findings and Recommendations

Recommendation – We recommend the City Clerk provide a monthly Clerk's report to the City Council every month. In addition, the City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely.

Current Status – Corrected. The City Council receives a monthly Clerk's Report that shows receipts, disbursements, transfers, and balances for each fund in total. The cash and investment balances in the City's general ledger reconciled to the bank and investment account balances throughout the year.

- (H) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation – To provide better financial information and control, the COA, or its equivalent, should be followed.

Current Status – Not corrected. The recommendation is repeated.

- (I) Annual Financial Report - The 2013 Annual Financial Report reported certain receipts in an incorrect fund.

Recommendation - The City should implement procedures to ensure amounts reported on the Annual Financial Report are recorded in the correct fund.

Current Status – Corrected. All receipts reported on the 2015 Annual Financial Report were in the correct funds.

- (J) Questionable Disbursement – During the year, a \$25 gift card was purchased from a local business and given to the City's employee. This disbursement may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Recommendation – The City Council should determine and document the public purpose served by these types of disbursements before authorizing further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement of proper documentation.

Current Status – Corrected. For the fifteen disbursement transactions tested, all met the requirements of public purpose.

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Report on the Status of Periodic Examination Findings and Recommendations

(K) Surety Bond Coverage – Surety bond coverage for City officials and employees was not maintained for the year ended June 30, 2014 as required by Chapter 64 of the Code of Iowa.

Recommendation – The City should comply with Chapter 64 of the Code of Iowa and periodically review its coverage for adequacy.

Current Status – Corrected. The City's insurance policy now includes surety bond coverage for City Officials and employees.

(L) Sales Tax – The City paid sales tax on an invoice. Iowa governments are not required to pay sales tax on purchases.

Recommendation – The City should implement procedures to ensure sales tax is not paid on future purchases.

Current Status – Corrected. For the fifteen disbursement transaction tested, the City did not pay sales tax on the invoices.

(M) City Council Disbursement Approval – The City Council approves disbursements at each monthly meeting after the invoices have been paid.

Recommendation - The City could adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

Current Status – Corrected. The City Council passed Resolution No. 201501 which lists the bills that can be paid prior to Council approval.

(N) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Larry Jarred, City Council Owner of Jarred Construction	Construction services	\$1,330

CITY OF TINGLEY

Report on the Status of Periodic Examination Findings and Recommendations

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year.

Disclosure Only – Business transactions between the City and City officials or employees included \$1,275 paid to Byanca Smith (daughter of Council Members) for cleaning services and \$560 paid to Jarred Construction for construction services. These amounts do not appear to represent a conflict of interest since transactions with each vendor were less than \$2,500 during the fiscal year.